



# Revenue Stabilization and Tax Policy Committee

State Land Office Annual Status and Revenue  
Update August 13, 2015

Commissioner Aubrey Dunn

*To provide for current and future revenues to our beneficiaries, while ensuring the long-term health and productivity of the State Trust Lands for future generations of New Mexico*

## **Objectives**

- Optimize revenue for public institutions
- Support education
- Create jobs
- Maintain a strong agricultural sector
- Foster oil, gas and renewable energy development
- Watershed restoration, site remediation and trust land protection for future generations

## **Priorities**

- Workforce ~ 5% vacancy rate ~ Recruit, Retain, Succession planning
- Optimize Revenue ~ Update fee schedules, aggressive audit program,
- Watersheds and Grass Lands
- System Tools ~ LIMS, ONGARD, Digitization

# REVENUE OVERVIEW

	FY15	FY15	FY 15
Income Category	Year to Date	Original Estimate	Revised Estimate
Income Receipts	65,083,473	63,899,922	67,512,715
Other Income	909,855	965,893	965,853
Total Income Receipts- (Land Maintenance Fund)	65,993,328	64,865,815	68,478,568
Royalties (Permanent Fund)	626,785,266	689,745,842	663,735,390
<b>Total Revenue</b>	<b>692,778,594</b>	<b>754,611,657</b>	<b>732,213,958</b>

	FY15	FY16	FY 16
Income Category	Revised Estimate	Original Estimate	Revised Estimate
Income Receipts	67,512,715	66,427,389	50,996,547
Other Income	965,853	946,918	946,918
Total Income Receipts- (Land Maintenance Fund)	68,478,568	67,374,307	51,943,465
Royalties (Permanent Fund)	663,735,390	746,443,328	441,862,601
<b>Total Revenue</b>	<b>732,213,958</b>	<b>813,817,635</b>	<b>493,806,066</b>

- ▶ FY 2015 revenue originally projected at \$754.2
- ▶ FY 2015 revenue projection revised to \$732.2
  - ▶ Estimates revised downward due to oil prices dropping with average oil price at \$45.00/BBL
- ▶ FY 2015 Operating Expenditures
  - ▶ Less than 2.0% of total revenue
  - ▶ Under 21.7% of rental and other income
- ▶ FY 2016 revenue projection is at \$493.8 Million
  - ▶ Decrease of 32.6% from FY2015 revenue estimates.
  - ▶ Decrease of 33.43% from FY2015 Royalties
  - ▶ Budget remains at 3.0% of total revenue and 28.4% of rental and other income.

# REVENUE OVERVIEW

## Wind and Solar

	FY15	FY15	FY15
Income Category	Year to Date	Original Estimate	Revised Estimate
Solar Energy	-	-	151,145
Wind Energy	-	-	257,353
All Other Income Receipts	65,083,473	63,899,922	67,104,217
Other Income	909,855	965,893	965,853
Total Receipts - (Land Maintenance Fund)	65,993,328	64,865,815	68,478,568
Royalties (Permanent Fund)	626,785,266	689,745,842	663,735,390
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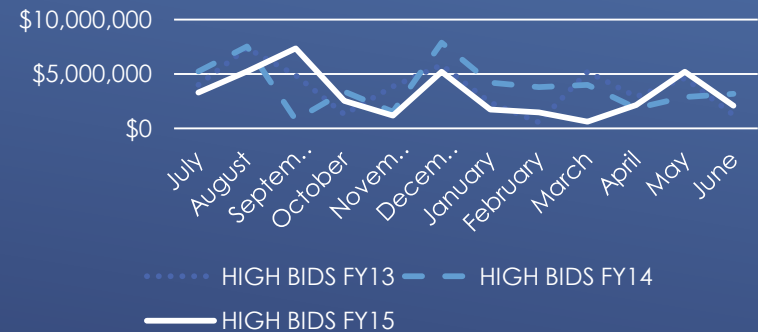
	FY15	FY16	FY16
Income Category	Revised Estimate	Original Estimate	Revised Estimate
Solar Energy	151,145	-	339,735
Wind Energy	257,353	-	554,305
All Other Income Receipts	67,104,217	66,427,389	50,102,507
Other Income	965,853	946,918	946,918
Total Receipts - (Land Maintenance Fund)	68,478,568	67,374,307	51,943,465
Royalties (Permanent Fund)	663,735,390	746,443,328	441,862,601
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# REVENUE SOURCES HIGHLIGHTS

## Lease Sales

- Increasing interest in Tatum Basin
- Leasing 5,000-10,000 acres per month
- Average monthly sale:  
FY13: \$3.7 million  
FY14: \$3.9 million  
FY15: \$3.2 million
- Price of oil dropped in 4<sup>th</sup> quarter CY2014

Total high bids – lease sales FY13-15



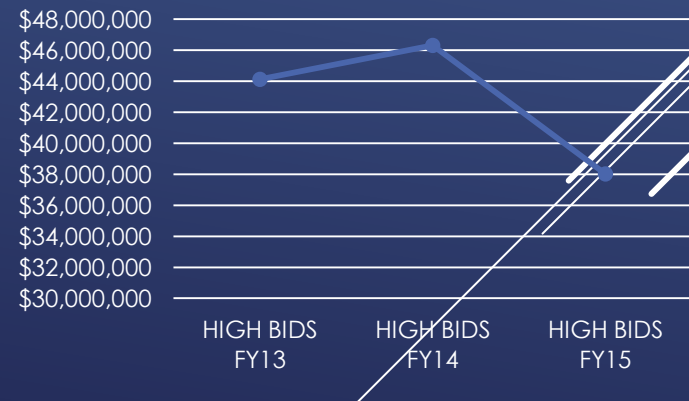
## Oil & Gas Production

- 2015 on track for highest oil production in NM since 1969
- FY15 production up 28% over FY14
- NM tops US in gas production

Revenues



Total high bids - annual



# Audits and Royalty Collections

FY2015 Royalties have increased by 64.2% over FY2011 and 27.4% over FY2012

## Field Audits

FY2013: 6  
FY2014: 9  
FY2015: 13

## Desk Audits

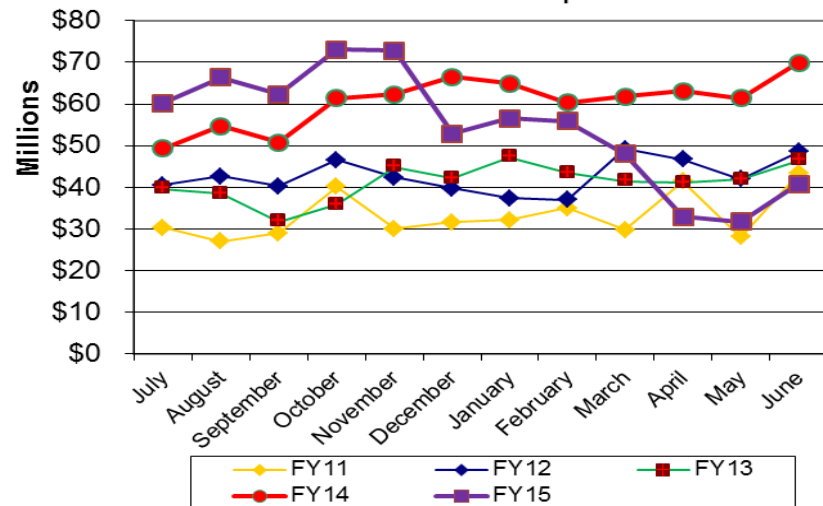
FY2013: 28  
FY2014: 42  
FY2015: 59

## Average net collections per Field audit

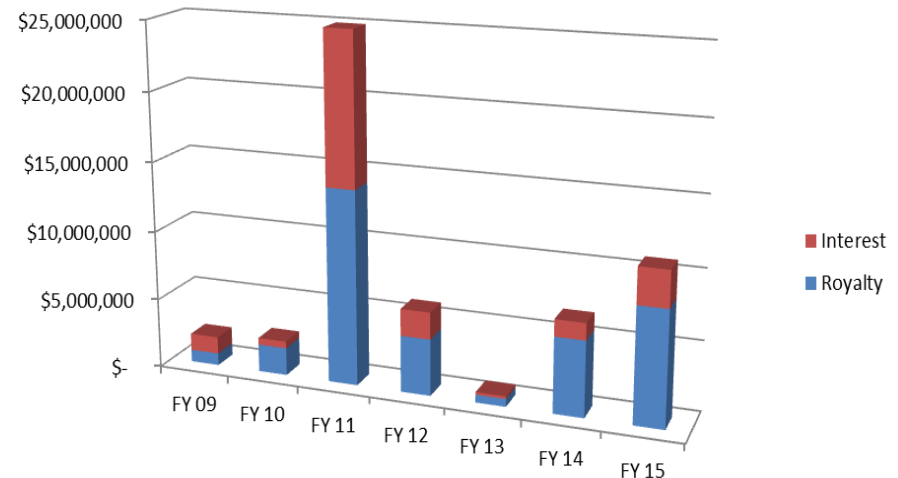
FY2013: \$121,471  
FY2014: \$765,970  
FY2015: \$835,526

FY11 includes \$20 million BP settlement that span over several years.  
FY13 audit staff only included one auditor because of retirements.

Royalty Management Revenue Distributions  
5 Year Comparison



State Land Office Royalty Management Division  
Audit Collections



# NEW MEXICO STATE LAND OFFICE:

## COMMERCIAL RESOURCE DIVISION (CRD) REVENUE SOURCES

CRD consists of two revenue generating sections:  
(1) Rights of Way / Water and (2) Business Leasing

### Rights of Way:

- Rights of Ways includes electric lines, pipelines, and roads.

FY 17 projection = \$7.1 million

- Water uses include salt water disposal agreements and water easements.

FY17 project = \$6.1 million

# NEW MEXICO STATE LAND OFFICE: COMMERCIAL RESOURCE DIVISION (CRD) REVENUE SOURCES

The business leasing section leases State Trust Lands for:  
Office buildings, Planning and Development, Oil and Gas support services, retail uses, renewable energy, telecommunications, billboards, and recreation.

FY17 projection = \$4.9 million

***CRD total division revenues projected for FY 17 = approx. \$18.1 million***





# COMMERCIAL RESOURCES

## DIVISION:

### RENEWABLE ENERGY REVENUE

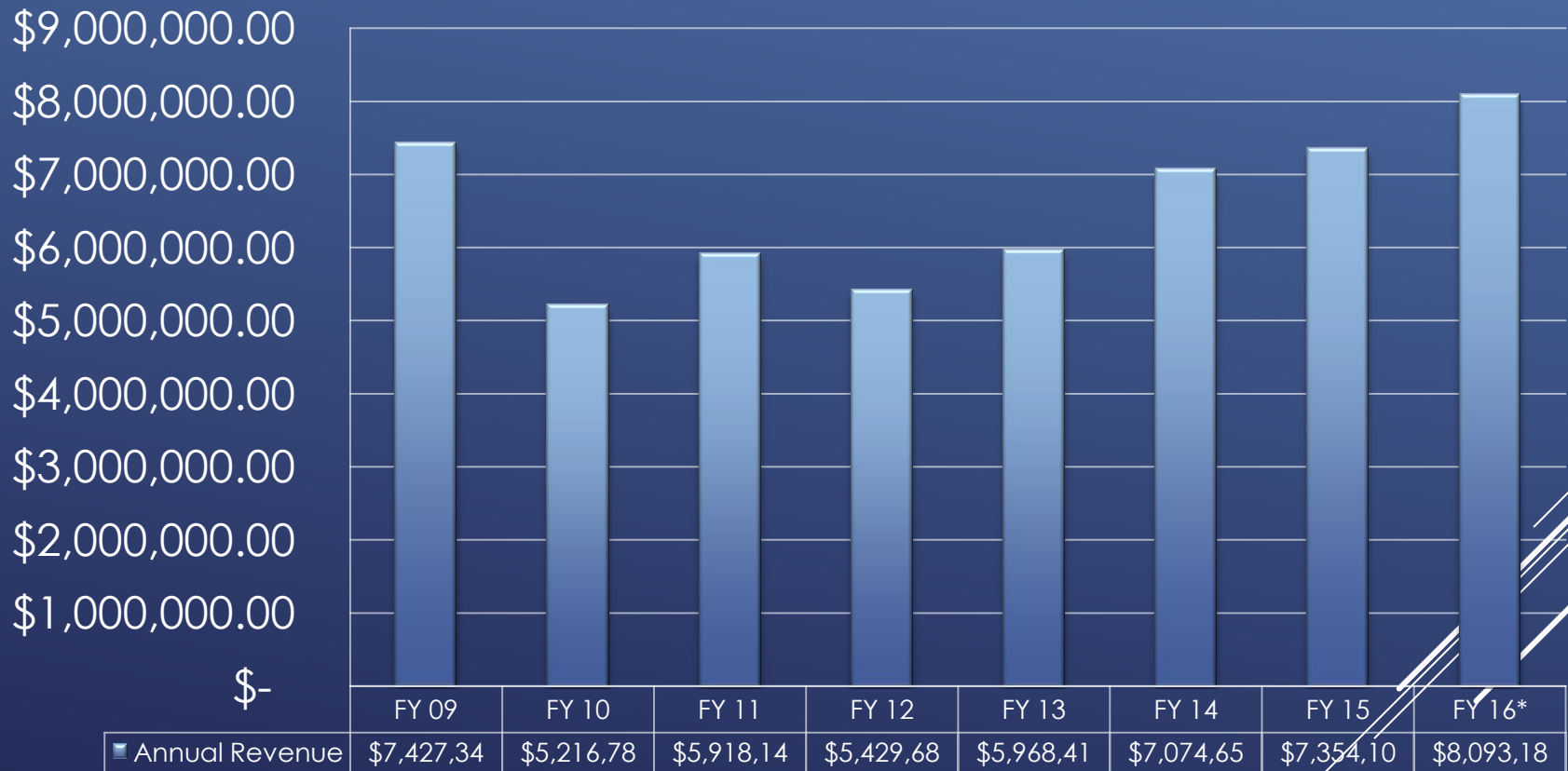
### GROWTH

Renewable Energy leasing is a promising area for revenue growth.

- ▶ Commissioner Dunn recently executed two leases for solar development: BL-2105 and BL-2106. Over the 40 year lease term, these leases are projected to bring in \$31.1 million and \$10.3 million, respectively.
- ▶ Projects currently under lease are projected to bring in approx. \$350 million over the next 35 years.
- ▶ Applications actively being processed have the potential to bring in an addition \$131 million over the next 35 years.

# AGRICULTURAL LEASING *FIELD OPERATIONS DIVISION*

## Annual Revenue



\* FY 16 Projection

- ▶ Ag Leasing Fee Formula – Calculation
  - ▶ Implemented in 1988
  - ▶ Formula Considers
    - ▶ Private land lease rates of western livestock ranchers
    - ▶ Beef cattle prices
    - ▶ Livestock production
  - ▶ One year lag – Data collected by the USDA
  - ▶ Indices involve 11 western states

# AGRICULTURAL LEASING

## ***FIELD OPERATIONS DIVISION***

\* FY 16 Projection

# FY 2015 Revenue Flow

July, 1, 2014 – June 30, 2015

- 9 million surface acres=>Renewable
- 13 million subsurface acres => Non-Renewable

**Rental, Bonus & Miscellaneous Revenue (Renewable) \$ 70.1 Million**

Oil & Gas Rental Bonus & Interest  
Grazing Rentals  
Other Rentals and Bonus  
Other Income & Interest

\$ 44.2 63.0%  
\$ 7.3 10.4%  
\$ 17.6 25.1%  
\$ 1.0 1.5%

**Total Revenue – All Sources \$739.5 Million**

**Royalty & Land Sales Revenue (Non-renewable) \$669.4 Million**

Oil & Gas Royalties \$ 653.5 97.6%  
Other Royalties \$ 15.9 2.4%

**Land Maintenance Fund \$70.1 Million**

**Land Grant Permanent Fund Contributions – \$669.4 Million**

Revenue Collected		%Expended
FY 2009	\$536.5Million	2.5%
FY 2010	\$420.3Million	3.1%
FY 2011	\$499.2Million	2.6%
FY 2012	\$652.3Million	2.9%
FY 2013	\$577.5Million	2.4%
FY 2014	\$816.6Million	2.2%
FY 2015	\$739.5Million	2.5%
FY 2016	\$493.8Million (Est.)	3.0%

Distributed \$52.6 M  
(.5 reappropriated)

Administrative Costs \$18.3M

**Total Distributions \$648.6 Million**

Percent of 5-year average ending market value \$596.0 M

Operating Expenditures \$ 13.9 M  
ONGARD Service Center \$ .6 M  
Specials \$ 3.8 M

# FY 2016 Projected Revenue Flow

July 1, 2015 – June 30, 2016

- 9 million surface acres=>Renewable
- 13 million subsurface acres => Non-Renewable

## Rental, Bonus and Miscellaneous Revenue (Renewable) \$ 51.9 Million

Oil & Gas Rental Bonus & Interest	\$ 27.3	52.6%
Grazing Rental	\$ 8.1	15.6%
Other Rentals and Bonus	\$ 15.6	30.1%
Other Income & Interest	\$ 0.9	1.7%

## Royalty & Land Sales Revenue (Non-renewable) \$441.9 Million

Oil & Gas Royalties	\$ 431.0	97.5%
Other Royalties	\$ 10.9	2.5%

**Total Revenue – All Sources**  
**\$493.8 Million**

**Land Maintenance Fund**  
**\$51.9 Million**

**Land Grant Permanent Fund Contributions –**  
**\$441.9**

Distributed  
\$36.3M

Administrative  
Costs \$17.5M

Percent of 5- year average ending  
market value \$655.8M

**Total Projected Distributions**  
**\$692.1 Million**

Operating Expenditures	\$ 14.2
Ongard Service Center	\$ 0.6
Specials	\$ 2.7

## Earnings by Beneficiary

Total LMF & LGPF							Total
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Est.	FY 2012 - 2016 Est.	
PUBLIC SCHOOLS	\$ 559,053,047	\$ 497,547,455	\$ 718,536,686	\$ 655,430,103	\$ 425,561,331	\$ 2,856,128,622	
UNIVERSITY OF NM	\$ 4,290,589	\$ 3,392,418	\$ 3,552,028	\$ 4,741,785	\$ 2,797,337	\$ 18,774,157	
SALINE LANDS (UNM)	\$ 2,087,557	\$ 1,310,353	\$ 1,058,006	\$ 820,407	\$ 923,817	\$ 6,200,140	
NM STATE UNIVERSITY	\$ 1,516,152	\$ 1,476,814	\$ 1,336,518	\$ 2,108,812	\$ 1,127,264	\$ 7,565,560	
WESTERN NM UNIVERSITY	\$ 167,787	\$ 128,234	\$ 143,688	\$ 176,371	\$ 107,868	\$ 723,948	
NM HIGHLANDS	\$ 168,498	\$ 128,474	\$ 143,940	\$ 176,568	\$ 108,113	\$ 725,593	
NORTHERN NM SCHOOL	\$ 144,294	\$ 107,889	\$ 119,415	\$ 154,672	\$ 92,143	\$ 618,413	
EASTERN NM UNIVERSITY	\$ 469,965	\$ 488,534	\$ 481,133	\$ 320,487	\$ 308,174	\$ 2,068,293	
NM INST OF MIN & TECH	\$ 1,222,456	\$ 940,094	\$ 1,258,016	\$ 2,126,257	\$ 971,178	\$ 6,518,001	
NM MILITARY INST.	\$ 20,080,263	\$ 12,620,485	\$ 13,423,678	\$ 10,103,127	\$ 9,844,727	\$ 66,072,280	
NM BOYS SCHOOL	\$ 47,022	\$ 26,524	\$ 21,937	\$ 26,609	\$ 21,377	\$ 143,469	
MINERS HOSPITAL	\$ 4,186,879	\$ 3,123,806	\$ 4,126,602	\$ 3,180,108	\$ 2,559,319	\$ 17,176,714	
STATE HOSPITAL	\$ 2,187,408	\$ 4,523,779	\$ 11,577,424	\$ 7,951,909	\$ 4,594,380	\$ 30,834,900	
STATE PENITENTIARY	\$ 9,905,406	\$ 9,871,663	\$ 10,542,847	\$ 8,204,563	\$ 6,745,145	\$ 45,269,624	
SCHOOL FOR THE DEAF	\$ 8,484,493	\$ 7,922,250	\$ 8,819,479	\$ 7,191,136	\$ 5,675,866	\$ 38,093,224	
SCHOOL FOR VISUAL HD	\$ 8,489,718	\$ 7,934,162	\$ 8,840,444	\$ 7,197,441	\$ 5,683,641	\$ 38,145,406	
CHARITABLE PENAL & REFORM	\$ 2,985,214	\$ 3,093,647	\$ 3,754,795	\$ 2,138,793	\$ 2,096,223	\$ 14,068,672	
WATER RESERVOIRS	\$ 4,410,450	\$ 4,921,973	\$ 3,670,350	\$ 2,700,169	\$ 2,749,384	\$ 18,452,326	
RIO GRANDE IMPROV	\$ 566,491	\$ 397,348	\$ 361,818	\$ 464,585	\$ 313,449	\$ 2,103,691	
PUBLIC BLDG	\$ 3,597,865	\$ 2,939,217	\$ 8,222,648	\$ 6,727,683	\$ 3,762,172	\$ 25,249,585	
CARRIE TINGLEY	\$ 14,193	\$ 8,529	\$ 17,863	\$ 15,715	\$ 9,857	\$ 66,157	
	\$ 634,075,747	\$ 562,903,648	\$ 800,009,315	\$ 721,957,300	\$ 476,052,766	\$ 3,194,998,776	



# NEW MEXICO STATE LAND OFFICE

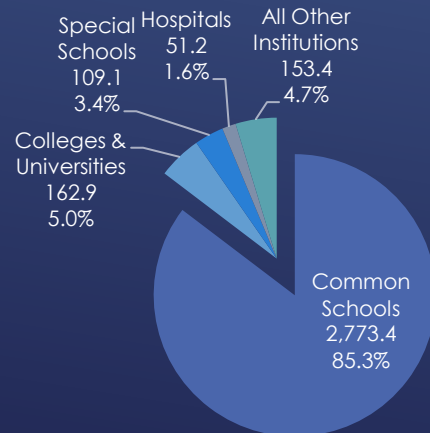
## Revenues by Source

INCOME-SOURCE	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016 Est.	3- Yr Total 2013 - 2015
<b>RENTALS</b>						
Sand & Gravel (M)	6,095	5,179	13,354	12,188	9,725	30,721
Special Use Agreements	1,632	2,750	5,530	1,678	1,800	9,958
Potash (M)	41,652	48,440	55,124	49,486	50,099	153,050
Grazing (S)	5,429,688	5,968,412	7,074,653	7,280,752	8,069,393	20,323,817
Salt (M)	1,448	1,215	1,388	1,714	1,115	4,317
Coal Rental (M)	37,305	23,900	12,905	12,980	16,105	49,785
General Mining (M)	59,993	52,366	60,086	58,772	63,876	171,224
Shut-in-Royalty (O/G)	39,443	48,553	71,666	92,409	50,000	212,628
Oil & Gas Rental	2,194,148	2,149,594	2,140,406	2,076,726	2,050,000	6,366,726
Oil & Gas Bounses (O/G)	102,042,763	44,046,175	46,297,892	37,997,396	24,000,000	128,341,464
Oil and Gas Int. (O/G)	3,061,813	2,509,395	3,345,845	4,034,426	1,245,000	9,889,666
Seismic Permits	49,600	-	11,540	7,300	20,000	18,840
Business Leases (C)	2,859,769	6,291,452	3,234,483	4,233,699	3,297,410	13,759,634
Business Lease Options	112,010	31,914	-	-	-	31,914
Land Use Restrictions	-	769,675	1,383,978	5,746	-	2,159,399
Billboards (C)	176,155	105,552	76,442	97,238	125,000	279,232
Geothermal Rental/Income (M)	1,628	1,620	84	50	4,820	1,754
Water (S)	834,243	743,995	1,018,421	680,949	947,859	2,443,365
Salt Water (C)	1,957,651	2,743,712	3,628,726	4,954,935	4,195,926	11,327,374
Right-of-Way (S)	3,159,709	5,251,352	5,109,539	6,795,595	5,818,380	17,156,486
Solar Energy	-	-	-	384,062	339,735	384,062
Wind Energy	-	-	-	137,315	554,305	137,315
Energy Transmission	-	-	-	33,382	-	33,382
Land Contracts Int. (C)	-	-	-	234.17	-	234
Gas Storage Units (C)	308,551	159,480	253,452	162,869	136,000	575,801
Fuel wood (S)	2,050	470	4,590	2,385	-	7,445
<b>SUB-TOTAL RENTAL INCOME</b>	<b>122,377,346</b>	<b>70,955,201</b>	<b>73,800,102</b>	<b>69,114,287</b>	<b>50,996,548</b>	<b>213,869,590</b>
<b>OTHER</b>						
Fees & Copies (O)	680,925	679,066	739,391	869,528	716,065	2,287,986
Interest Earnings	214,688	327,878	142,341	141,041	181,084	611,260
Other	37,224	46,922	39,979	17,400	49,769	104,301
<b>SUB-TOTAL OTHER INCOME</b>	<b>932,837</b>	<b>1,053,866</b>	<b>921,712</b>	<b>1,027,969</b>	<b>946,918</b>	<b>3,003,546</b>
<b>TOTAL RENTAL-OTHER</b>	<b>123,310,183</b>	<b>72,009,067</b>	<b>74,721,814</b>	<b>70,142,256</b>	<b>51,943,466</b>	<b>216,873,137</b>
<b>ROYALTY</b>						
Sand & Gravel (M)	3,596,239	2,339,419	1,485,860	2,283,810	1,845,000	6,109,089
Potash (M)	2,629,627	1,692,007	5,116,461	4,566,662	3,000,000	11,375,129
Salt (M)	196,881	227,909	249,535	204,853	240,000	682,296
Caliche	850,285	1,347,871	1,567,624	1,539,197	1,855,000	4,454,691
Coal (M)	7,064,806	5,496,992	6,719,135	4,810,054	3,235,000	17,026,181
Oil & Gas (O/G)	512,940,790	494,082,929	726,387,126	653,482,767	431,000,000	1,873,952,822
Land Contracts ©	1,567,500	-	-	37,088	-	37,088
General Mining (M)	500	-	-	29,560	-	29,560
Water (S)	181,873	298,102	401,623	1,143,538	687,601	1,843,263
Business Lease Principle	-	-	-	1,268,799	-	1,268,799
Geothermal (M)	9,225	3,075	(Now LMF)	(Now LMF)	(Now LMF)	3,075
<b>SUB-TOTAL ROYALTY</b>	<b>529,037,726</b>	<b>505,488,304</b>	<b>741,927,363</b>	<b>669,366,326</b>	<b>441,862,601</b>	<b>1,916,781,993</b>
<b>GRAND TOTAL</b>	<b>652,347,909</b>	<b>577,497,371</b>	<b>816,649,177</b>	<b>739,508,582</b>	<b>493,806,067</b>	<b>2,133,655,130</b>
<b>Total Oil &amp; Gas Revenue</b>	<b>620,278,957</b>	<b>542,836,646</b>	<b>778,242,935</b>	<b>697,683,724</b>	<b>458,345,000</b>	<b>2,018,763,306</b>
<b>Percent of Total Revenue</b>	<b>95.1%</b>	<b>94.0%</b>	<b>95.3%</b>	<b>94.3%</b>	<b>92.8%</b>	<b>94.6%</b>

## Five Year Average LMF & LGPF Distribution FY 2012 – FY 2016 Est.

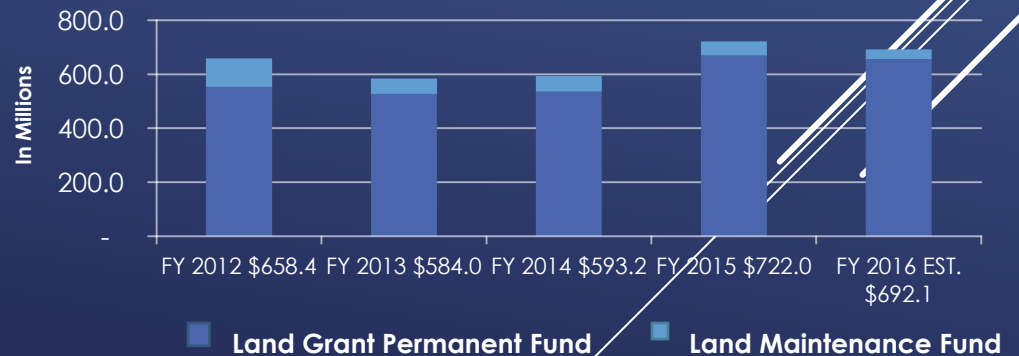
Combined Distribution to:	FY 2012	FY 2013	FY 2014	FY 2015	*FY 2016	Total 2012-2016 Est.
COMMON SCHOOLS	\$ 554,244,931	\$ 485,508,293	\$ 492,837,862	\$ 655,430,103	\$ 585,348,120	\$ 2,773,369,309
COLLEGES & UNIVERSITIES	\$ 38,535,656	\$ 32,605,492	\$ 34,128,449	\$ 20,728,486	\$ 36,934,375	\$ 162,932,458
SPECIAL SCHOOLS	\$ 23,322,384	\$ 22,798,715	\$ 22,932,058	\$ 14,415,186	\$ 25,644,315	\$ 109,112,658
HEALTH	\$ 10,388,369	\$ 10,271,209	\$ 10,158,503	\$ 11,132,017	\$ 9,279,145	\$ 51,229,243
ALL OTHER INSTITUTIONS	\$ 31,964,996	\$ 33,078,184	\$ 33,181,689	\$ 20,251,508	\$ 34,879,415	\$ 153,355,792
TOTAL	\$ 658,456,336	\$ 584,261,893	\$ 593,238,561	\$ 721,957,300	\$ 692,085,370	\$ 3,249,999,460
Total Education	\$ 616,102,971 93.6%	\$ 540,912,500 92.6%	\$ 549,898,369 92.7%	\$ 690,573,775 93.5%	\$ 647,926,810 93.6%	\$ 3,045,414,425 93.7%

### Five- Year Combined Distributions



### Total Distributions to Beneficiaries

Fiscal Years 2011-2015





# Beneficiaries

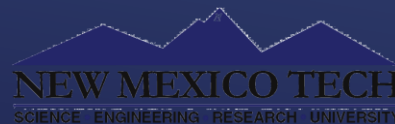
Public (Common) Schools



New Mexico Boys' School



New Mexico School for the Blind and Visually Impaired



Carrie Tingley Hospital



Las Vegas Behavioral Health Institute



Capital Buildings

Charitable Penal and Reform

Irrigation Reservoirs

Penitentiary of New Mexico

Rio Grande Improvements

Saline Lands, University of New Mexico

# New Mexico State Land Office



THANK YOU~